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DAILY DIGEST

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- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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NAVY and DOS review(s) completed.

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SECTION 1 (SOVIET)

25X1 "B" USSR. Attempt of Communist Espionage to Penetrate Royal Norwegian Navy Headquarters. The recent arrest of Per Danielsen, son of the Commander-in-Chief of the Royal Norwegian Navy, has substantiated the fact that a Communist group was established under the leadership of Just von der Lippe, a notorious Norwegian Communist, with the mission of penetrating the Royal Norwegian Naval Headquarters. The group's specific target is reported to have been the communications system between the Norwegian and British navies. [REDACTED] COMMENT: Previous reports indicate that Danielsen was maintaining direct contact with the Soviet naval attache Captain Koshelev. Koshelev was not held in view of his diplomatic immunity and is believed to have already left Norway.

"C" Theatrical Heads Roll Following PRAVDA Review of New Opera. Moscow radio has announced the removal of two artistic leaders from their jobs because of official dissatisfaction with the new opera "From the Depths of the Heart." P.I. Lebedev was fired as chairman of the All-Union Committee on Fine Arts "for bad leadership of the work of the committee". At the same time, A.V. Solodovnikov was replaced as director of the world-famous Bolshoi Theater in Moscow for staging an opera that "falsely portrays" life on a collective farm. Others connected with the long-heralded production, which Stalin attended on 5 April, undoubtedly will also be punished. PRAVDA termed the libretto as dull, unrealistic and stagey, the music weak and badly written, the staging and dancing unrealistic and the entire performance studded with mistakes and defects. The plot had no consistency, the heroes no human emotions and the language used was of the "worst opera and salon clichés." The aria cited as example was "Now I Dream of Realizing My Project - Giving Electric Current to Fields and Setting Machinery Running. It will be easier for Us to Work and Easier to Live." [REDACTED] COMMENT: This is the second Soviet opera in recent years to be sharply criticized. The condemnation of Muradelli's "The Great Friendship" in 1947 as a "tasteless example of formalism" was followed by a critical examination of the work of such leading musicians as Prokofiev, Shostakovich and Khatchaturian. The current "flop" is undoubtedly the result of the dilemma with which the professional Soviet artist is faced - he is called upon to create, yet his imagination must be limited to the confines of an officially established fantasy, "socialist realism," having no relation to truth. In addition to his chairmanship of the Fine Arts Committee, Lebedev headed the Arts Sector in the important Propagita Section of the Party's Central Committee Apparatus, a position which he probably also lost.

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Soviet Zone of Germany Supplies Propaganda Material for China. The New China News Agency has revealed that Communist propaganda material for distribution in China is being printed in the Soviet Zone of Germany. As many as 3 million copies of one publication, the NEW CHINA PICTORIAL, were printed during the month of Mar. [REDACTED] COMMENT: The fact that the Communists had to go all the way to Germany to print propaganda material for China indicates that Chinese presses and technicians apparently are already too busy with other material or that facilities are too limited to fulfill the requirements of the newly enlarged propaganda apparatus. In addition, the paper supply in China is limited. The economic aspects of this transaction should not be overlooked, since the Communists in Germany have consistently stressed the advantages of trade with China. This transaction is probably part of the enlarged economic exchange program.

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"C" YUGOSLAVIA. Recommendations of US-UK-French Representatives Regarding Yugoslav Economy. At recent meetings in London of US-UK-French representatives discussing an economic aid program for Yugoslavia, tripartite agreement has been reached on the basic Yugoslav economic situation and methods of approach to other countries for additional assistance. The tripartite representatives have recommended that the US, UK, and French Govts, (1) agree on the size and character of the emergency aid program, shares, and conditions to ensure its effectiveness, (2) inform Yugoslavia in general terms regarding the program, pointing out the necessity for Yugoslav cooperation and the necessity of additional aid from other countries, (3) sound out other NATO countries on the postponement of Yugoslav debt payments and the possibility of grant aid, (4) urge Germany and Austria to take necessary measures to ease the Yugoslav economic situation, (5) suggest to Yugoslavia that it request assistance from fourth countries and support such Yugoslav requests by diplomatic action and (6) work out with Yugoslavia arrangements whereby aid can be made most effective. The Western representatives are agreed that some of the Yugoslav need for extraordinary foreign aid could be eliminated by an improved investment program, better training of personnel and increased emphasis on a program aimed at improved incentives.

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"C" CURRENT COMMUNISM AND PROPAGANDA. The Executive Committee of the World Peace Council will meet in Copenhagen 5-9 May, according to the Danish press. The Danish Govt is reported to have no objections to the meeting and to be willing to issue visas to delegates from the satellite countries. Between 20 to 50 participants are expected, including Joliot-Curie, Nermi, Ehrenburg, and the Chinese Communist Niu Mo-jo.
COMMENT: The meeting will probably assess the progress made by the World Peace Partisans in their various campaigns since the World Peace Council Congress in Berlin last February and will issue additional directives to intensify the efforts suggested in Berlin.

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SECTION 2 (EASTERN)

"B" IRAN. Government Official Plans Repressive Action Against Leftist Students. Ardeshir Zahedi, son of General Zahedi, Minister of the Interior, has informed the US Embassy that his father plans to take the following action in the immediate future: (1) Close all schools and universities in Tehran to force re-registration of students, and by this maneuver to eliminate known Communist sympathizers; (2) Arrest considerable numbers of Tudeh members participating in a parade which he had prohibited, and exile a number of sympathizers to southern Persia. Zahedi's son also stated that his father was angered by police inefficiency and was planning a shakeup in the police organization and in the gendarmerie. [REDACTED] COMMENT: Both the Shah and Prime Minister Ala have evidenced a desire to clamp down on the pro-Soviet Tudeh agitators. It remains to be seen, however, whether the present government is able to take effective action. It has previously banned street demonstrations, which have nevertheless been held, apparently with little interference by the security forces.

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"C" Workers Returning to Abadan Refineries. According to press reports, 17,000 employees returned to work on 24 April at the Anglo-Iranian Oil Company's refinery at Abadan. A Government official said the series of strikes against the company could be considered at an end. [REDACTED]

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COMMENT: Since there has been no settlement of basic issues on the oil questions, this latest development does not necessarily presage a return to normalcy in Abadan. According to the Ministry of Labor, however, a basis for a general agreement in Abadan now exists, and the refinery is currently operating at 30% normal capacity.

"B" ISRAEL/SYRIA. Israelis Allege New Border Incidents. According to US Ambassador Davis in Tel Aviv, Israel has protested to Colonel De Ridder, Deputy Chairman of the Truce Supervision Organization (TSO), over the alleged occurrence of two new incidents near Nuqeib in the demilitarized zone on the eastern shore of Lake Tiberias. The Israelis claim that an Israeli civilian employee was killed in that area on 18 April and an Israeli policeman on 20 April. According to the Israelis, these actions were "planned and conducted by Syrian general headquarters against the Israeli demilitarized zone" and were a flagrant violation of the armistice agreement. Ambassador Davis comments that despite the incidents at Nuqeib a music festival, reportedly attended by 1000 persons, opened on 21 April at Ein Gev, which is but 1 1/4 miles south of Nuqeib. Davis adds that this fact would indicate that the incidents may not be as serious as some press reports imply. [REDACTED]

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COMMENT: Since reports from the Palestine area by UN observers, US press correspondents, and US military attaches have tended to support the view that Israeli actions in the demilitarized zone have largely been responsible for the Syrian-Israeli border incidents in the past few weeks, Israel may be giving full publicity to incidents it

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regards as instigated by Syria in an effort to strengthen the Israeli case in the current Security Council discussions.

"A" ISRAEL. Transshipment of Diamonds to Soviet Bloc. In commenting on Israeli transshipping of priority materials to the Soviet sphere, US Ambassador Davis in Tel Aviv recognized the possibility that the re-exportation of certain items, such as diamonds and diamond tools, "may be reaching serious proportions." However, on the basis of conversations with economic officers attached to other missions in Tel Aviv, as well as with Israeli officers, the Ambassador concludes that Western European countries, with the "partial exception" of the UK, have not taken effective action to prevent re-export of their products and do not appear to be aware of US concern over this matter. Davis believes that these countries should be encouraged to take vigorous steps to control their products.

25X1 [REDACTED] COMMENT: Israeli transshipment of certain high cost materials to the Communist world is well-known and periodically has been under careful scrutiny. There has long existed in Israel a flourishing re-export and export business with the Soviet Bloc in pharmaceutical and antibiotic materials (penicillin, streptomycin, etc.), as well as in polished diamonds and diamond tools. While Israel has observed established US export controls, it has been a transshipment point for certain semi-strategic materials to the Soviet Bloc and will no doubt continue to supply such material within legal limits, particularly since many Western European countries have not applied strict controls on this practice.

"B" INDIA. Possible Visit of Trygve Lie to Indian Sub-Continent. The US Delegation to the United Nations has no objection to UN's Trygve Lie visiting the Indian sub-continent on his present tour. It does state, however, that the Soviets may play up US influence on Lie as they did at the time of his election to a new three-year term as Secretary-General. Furthermore, the US Delegation feels that, in view of India's desire to work out its own policies without advice from others, an exchange of views on Kashmir and other matters between Nehru and Lie might have an adverse rather than an opposite effect. [REDACTED] COMMENT: The US Ambassadors in New Delhi and Karachi have stated that such a visit might be helpful.

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"C" INDIA. Food Riots in West Bengal. The press in India has reported riots and hunger marches in Cooch-Bihar bordering Assam in the northeastern part of India. The situation appears to be due to a temporary shortage of food rather than a major distress condition, as this area is normally a slight surplus one. The government of West Bengal, in which this area lies, attributes the organization of hunger marchers to various elements opposed to the ruling Congress Party. [REDACTED] COMMENT: There is considerable anti-Congress as well as active Communist activity in this

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general area. The present food situation in India obviously lends itself to exploitation by extremists of both right and left.

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"B" AUSTRALIA. Election Prediction. Although it is generally believed that the Liberal-Country Party Government will obtain a majority of House seats and the Senate will be evenly divided, US Ambassador Jarman expects the Government to win control of both houses on 28 April. Even in the event of a deadlocked Senate (30-30), Ambassador Jarman believes the Government will be able to function better than heretofore, thus avoiding another double dissolution of Parliament. [REDACTED]

COMMENT:

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Ambassador Jarman accurately forecast the outcome of the 1949 general election. While a renewed popular mandate would in the short run enable the Liberal-Country Party to enact much of its legislative program despite a 30-30 split in the Senate, such strong Labor Party opposition in the upper house would continue to threaten the Government's three-year tenure.

"B" CHINA. Peiping's Control Over Manchuria Extended by New Customs Law. The Peiping regime has announced a revamped customs establishment which sharply reduces the number of customs offices and puts the customs service firmly under the control of the Central Government. Customs offices, including those in Manchuria and Sinkiang, are now answerable directly to headquarters in Peiping and not to district managers as before. [REDACTED]

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COMMENT:

Making the customs offices in Manchuria and Sinkiang directly answerable to the Central Government appears as a further indication of Peiping's effort to strengthen its authority in the border regions. This development follows close on Peiping's measures to recall the special currencies in Manchuria and Inner Mongolia and to extend the circulation of the regular Chinese currency into those areas. [REDACTED]

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Attitudes Toward Communists and Nationalists. US Consul General in Hong Kong, summarizing interviews with foreign and Chinese observers, analyzes Chinese popular attitudes toward the Communists and Nationalists. According to ConGen's sources, (1) Communist Party rank-and-file are "fanatical" supporters of the regime, although there may be an anti-Stalinist group at the middle-level; (2) puppet party members, although divided on the issue of Stalinism, regard favorably certain achievements of the regime and show little pro-Nationalist sentiment; (3) civil servants, business and professional groups have been largely disillusioned, and increasingly regard the Nationalists as the lesser evil; (4) students at the university level have also been disillusioned, but younger students are entirely under the Communist spell; (5) urban labor appears, on the whole, to have been adversely affected, and to be anti-Soviet, pro-US and pro-Nationalist; (6) the peasants have probably lost more than they have gained, and most would "doubtless" prefer the Nationalists; (7) Christian groups are strongly pro-US and pro-Nationalist; and (8) the military, although highly-indoctrinated and well-treated, contains elements, both former Nationalist and old-line Communist, who would defect if opportunity offered. ConGen comments that the term "pro-Nationalist" is misleading, as people so described are anti-Communists who recognize that the Nationalists would be ineffectual without basic reforms. [REDACTED]

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[REDACTED] COMMENT: Almost all sources report that positive support for the Peiping regime is restricted to its functionaries and those who hope to be, and that the prevailing attitude is that of passive acceptance. These sources agree that mass resistance to the regime does not appear to be developing, and that there are few elements of the population which would work actively for return of the Nationalists.

"B"

KOREA. Resignation of Three ROK Cabinet Minister Demanded by President Rhee in Connection with the "Kochang Massacre". Ambassador Muccio reports that President Rhee demanded the resignation of Home Minister Choe Pyongok, Justice Minister Kim Chun Yon and Defense Minister Shin Sungmo for their "failure" to properly handle the "Kochang Massacre" case. Both the Home Minister and Justice Minister have complied with Rhee's request, and the Defense Minister is presently in conference with Rhee. The "Kochang Massacre" is reported to have occurred on 12 February when ROK police summarily executed some 2-300 South Korean villagers allegedly accused

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of collaborating with Communist guerrillas. Subsequent somewhat exaggerated news dispatches concerning the massacre received circulation in the Pakistan press, and copies of this story were recently distributed to ROK and UN officials probably through UNCURK channels. Although President Rhee is reported to have known about the incident since its happening, his peremptory firing of his Ministerial personnel is probably due to his belief that his Ministers might have given him false information and to the adverse publicity connected with publication of the "Kochang" story. The Ambassador further states that the President may have seized the opportunity to effect changes that he would have made normally. [REDACTED]

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COMMENT: While both Choe and Shin are probably the most competent men in the ROK for their respective positions, they have both been the subject of considerable National Assembly controversy. The overall effect of such a cabinet reshuffle will probably be to weaken considerably the competence of the ROK government.

"C" JAPAN. Socialists-Communists Fare Poorly in Local Elections. As a result of local elections held 23 April, Japanese commentators feel that a grass roots vote of confidence has been given to the conservative government and its policies of a "separate" peace treaty and a security agreement with the US. The Communists failed to elect a single candidate in the mayoralty contests, while the Socialists elected only 11 candidates and 18 Socialist-inclined independents out of a total of 194 vacancies. 91.1% of the nation's eligible voters cast ballots, thereby establishing a new record. [REDACTED]

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COMMENT: Both the Communists and Socialists have favored a policy of "over-all" peace and opposition to rearmament and US bases. Failure of the Communists to reelect several incumbent mayors is a indicator of the current disfavor of the party. Next week's gubernatorial elections should prove a more accurate indicator of the public's attitude toward Yoshida's pro-US policies, since national issues will carry more weight.

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SECTION 3 (WESTERN)

"C" GERMANY. Government Leaders Hope for Rapid Ratification of Schuman Plan. West German Government officials indicate that Chancellor Adenauer is anxious to push ratification of the Schuman Plan as early as possible. Since the complexity of the Plan will require about six weeks for preparation of the necessary legislation, Government leaders hope that the first Bundestag reading can take place in June, with the remaining parliamentary consideration being completed a week or two later. Leaders of the coalition Free Democrats, in endorsing the plan for rapid ratification in principle, are apprehensive that the French elections will delay Paris approval of the Plan and thus give the German Social Democrats (SPD) time to mobilize opposition in Germany. [REDACTED] Meanwhile the Mine Workers' Union in West Germany is not yet taking a negative line on the plan, despite the vehemence of SPD opposition and the large percentage of SPD members in the Union. [REDACTED]

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25X1 [REDACTED] COMMENT: [REDACTED]
US observers predict the eventual ratification of the Schuman Plan, despite vehement SPD opposition.

"B" FRANCE. Decision Imminent on Elections. The decision on electoral reform and the election date should be reached Thursday, depending upon the votes of confidence Queuille is asking on the principle of absolute priority for discussion of the budget and electoral reform. The possibility of eventual agreement and June elections became more remote when the Council of the Republic adopted by an absolute majority a radically different reform bill last Monday. It is questionable whether Queuille can muster the necessary absolute majority vote in the Assembly to override the Council. [REDACTED]

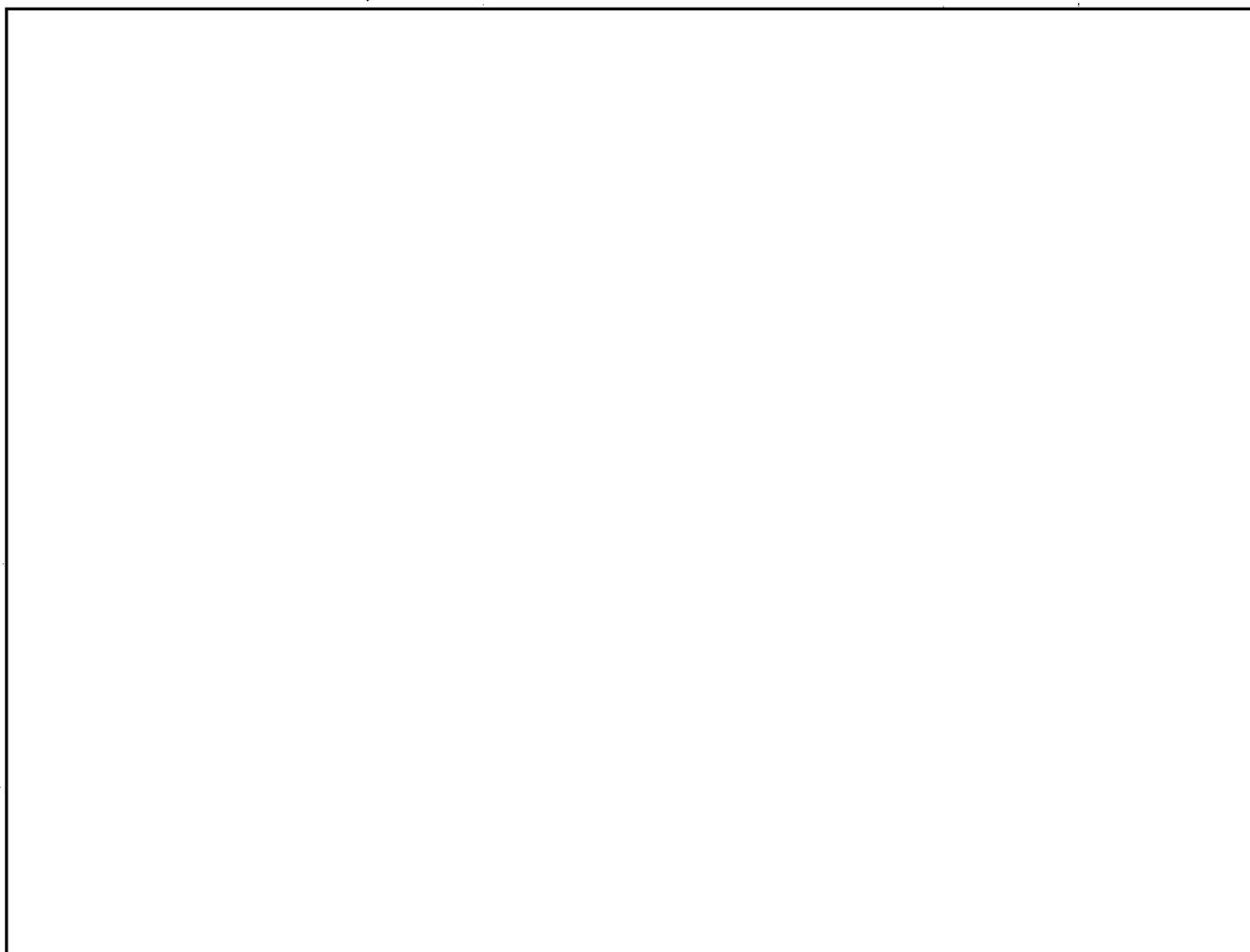
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25X1 [REDACTED] COMMENT: Queuille has based his economic program on the premise that after June a newly elected Government would be better qualified to work out a long-range policy. Queuille may be supported on the votes of confidence, but if the press of additional legislation makes June elections improbable, he may resign in order to permit the Assembly to indicate clearly, by accepting a new premier, the budgetary program it will support.

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"B" BELGIUM. Spaak Reports Rise in Anti-US Feeling. At a press conference held at the Brussels meeting of the European Movement, former Belgian Premier Spaak said that relations between the US and Europe were becoming more difficult and that an anti-US feeling was growing in certain European circles. He added that delegates from France and Germany reported that the idea of European neutralism, which Spaak termed inconceivable, was making headway among the youth of those countries. Furthermore, Spaak considered criticism of the US to be unwarranted, considering its huge efforts on behalf of west European democracy. [REDACTED] COMMENT: Spaak is a valid interpreter of European developments in view of his international prestige and eminence. Although no reasons were given for the increased anti-US feeling, it probably is due to: (1) Far East developments, (2) a letdown following the initial shipments of US military aid to western Europe, and (3) a fear of lower standards of living as a result of US defense demands.

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"C" NORWAY. Soviet Trade Proposals Entertained. The Norwegian Foreign Office is favorably considering a Soviet proposal for a 1951 trade agreement calling for the exchange, principally, of Norwegian aluminum for Soviet chrome and manganese ore with a value of approximately \$1.2 million. Meanwhile, the USSR has notified Norway that it will accept settlement of the Norwegian debt in dollars (See OCI Daily Digest, 18 Apr 51) after Norway rejected a Soviet counter-proposal for settlement through USSR purchases of aluminum and copper. [REDACTED]

[REDACTED] COMMENT: The proposed exchange appears favorable because Norway can acquire strategically needed ores for the quantity of aluminum it has available for export this year. The value of the agreement is insignificant compared to 1947-49 Soviet-Norwegian exchanges and even compared to 1950, when trade was on a barter basis in the absence of a formal agreement. Soviet desire to hamper Western controls on strategic materials, even in this case involving a limited quantity of aluminum, probably prompts its interest in negotiating an agreement this year.

"B" UNITED KINGDOM. Government and Labor Rebels Declare Temporary Truce. U.S. Embassy London reports that at a private meeting of the Parliamentary Labor Party Aneurin Bevan assured the Government that he would not attempt to bring about its fall. According to the Embassy, it was evident at the meeting that only a few Labor MP's supported him in the policy dispute. [REDACTED] COMMENT: This bears out the contention that Bevan is anxious not to break with the Labor Party [REDACTED] and so, now that his own position is clear, will not actively oppose the Government at this time. The "truce" is advantageous to the Government in removing the immediate threat of a general election forced by the split in the Labor Party.

"C" Trade Union Reaction to Labor Party Split. The Scottish Trades Union Congress, which is now holding its annual conference, has cancelled a scheduled address by former Labor Minister Aneurin Bevan for 27 April and has invited Chancellor of the Exchequer Gaitskell to speak instead. [REDACTED] COMMENT: As the first official indication of trade union reaction to the Labor Party policy split, this move illustrates the likelihood that the trade union movement, which has traditionally emphasized party loyalty, may be expected to continue for the present at least to support the Labor Government.

"C" UNION OF SOUTH AFRICA. New Native Housing Plan Likely to Strengthen Government. A housing development plan for Johannesburg's growing native population was presented to the Union Parliament by Minister of Native Affairs Verwoerd on 7 April. The plan involves the creation of a belt of light industries surrounding the present native shanty-towns; the natives would then be moved to new homes to be built beyond

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25X1 the industrial area and outside the city. The scheme is expected to cost five million pounds, one-tenth of which has been set aside for the coming year. If successful, the plan would be extended to other cities. [REDACTED]

COMMENT:

This plan represents the first move on the "positive" side of the Nationalist Government's apartheid program to deal with the Union's serious racial problems by more strictly enforcing the principle of separate development for the various racial communities. The United Party has opposed all apartheid measures since the Nationalists gained power in 1948 on the grounds that they were repressive, did not benefit the natives, and would lead to increased racial tension. This Nationalist proposal to promote the material well-being of the native is likely to win greater public support for the Government, and further weaken an Opposition which has become increasingly ineffectual since the death last summer of Smuts. It is clear that the Nationalists believe that the vast expenditure involved is a minor consideration in view of the plan's expected beneficial results.

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